Benjamin J. Otto (ISB No. 8292)
710 N 6th Street
Boise, ID 83701
Ph: (208) 345-6933 x 12
Fax: (208) 344-0344
botto@idahoconservation.org

Attorney for the Idaho Conservation League

RECEIVED
2014 OCT -6 PM 4:30
IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

| | |
|---|---|
| IN THE MATTER OF THE APPLICATION OF IDAHO POWER COMPANY CONFIRMING USE OF THE CAPAPCITY DEFICIENCY PERIOD FOR THE INCREMENTAL COST, INTEGRATED RESOURCE PLAN, AVOIDED COST METHODOLOGY. | CASE NO. IPC-E-14-22<br>IDAHO CONSERVATION LEAGUE<br>COMMENTS |

The Idaho Conservation League (ICL) submits the following comments regarding Idaho Power's application to confirm the use of the capacity deficiency period for the Integrated Resource Plan (IRP) Methodology. Below ICL sets forth three alternative pathways for the Commission to resolve this case. First, the most appropriate pathway is for the Commission to follow Order No. 32697 and re-affirm that only the forecast for load and fuel prices, as well as changes in long-term resource contracts, may be updated between IRP filings. Second, if the Commission desires to update resource assumptions outside of the IRP, ICL recommends the Commission use the established annual update to IRP Methodology inputs. Third, if the Commission wishes to rule on Idaho Power's resource position in this docket, this determination must consider all changes to the resource assumptions embodied in the 2013 IRP. ICL recommends the Commission adopt the first pathway and use the currently underway IRP process to update Idaho Power's resource assumptions.

As a preliminary matter, during the pendency of this issue the Commission retains the full ability to review contracts to ensure ratepayer protections. Whatever the Commission decides

here will have no direct impact on customers in terms of either increasing or deceasing utility rates. As Idaho Power describes in the Application, only the Commission can create a legally enforceable obligation, either through approving a signed contract or determining "there would be a contract but for the conduct of the utility." *Application* at 8-9. This individual review enables the Commission to use one of the primary values of the IRP Methodology–its ability to compare the unique output of a QF in relation to the needs of the utility. Imposing a default capacity position for all QFs, regardless of their individual characteristics, may foreclose the opportunity discover lower cost resources. Instead, the Commission should encourage QFs and Idaho Power to negotiate using the individual characteristics of a resource and submit such agreements for approval.

## I. The Commission should use the currently underway 2015 IRP to update Idaho Power's resource assumptions.

The simplest resolution for the Commission is to follow Order No. 32697 and defer any update to resource assumptions to the IRP process. As the Commission has explained: "It would not be reasonable, nor to the benefit of customers, to hold a utility to a fixed 20-year projection of its anticipated resource needs." *Order No. 32697* at 23. Despite this statement, Idaho Power asks the Commission for just such a determination–that current DR programs will continue at the present size and scale until at least 2021. Below ICL sets forth two reasons the Commission should reject this request.

### A. The future level of Demand Response programs is an assumption.

In GNR-E-11-03, after adopting Idaho Power's proposed changes to the IRP methodology, the Commission explicitly stated which inputs should be updated annually and which should not. *Order No. 32697* at 22. To ensure accuracy, the Commission ordered annual updates to the forecasts for fuel and loads along with updates for "long-term contract

commitments" and expired or terminated PURPA contracts. *Id.* The Commission concluded "we find it reasonable that all other variables and assumptions utilized in the IRP methodology remain fixed between IRP filings (every two years)." *Id.* Updating long-term contracts, but not other resource assumptions, remains a logical approach to implementing the IRP Methodology for avoided costs.

Idaho Power's application here, on pages 4 – 5, states that inclusion of the revived Demand Response (DR) programs is the reason to change the current capacity deficient period. However, future participation in the DR programs is an assumption, not a long-term contract commitment. In docket IPC-E-13-14 the Commission approved a multiparty settlement to re-implement Idaho Power's existing DR programs. *Order No. 32923.* The settlement "shall apply to Idaho Power's DR programs for 2014 and beyond until a change occurs in Idaho Power's system operations or cost-effectiveness of a DR Program that would warrant reevaluation of the Agreement's terms."[1] The plain language of the settlement makes clear that Idaho Power's DR programs are not a long-term contractual commitment; rather the size and scope of DR programs may change in the future to reflect new circumstances. ICL continues to support this settlement term because it reflects that DR provides a unique ability to adjust the size of a resource to meet future needs. But here, Idaho Power asks the Commission to confirm that current DR programs will continue at current sizes until at least 2021. To align with the settlement adopted by Order No. 32923 and the adoption of the IRP Methodology in Order No. 32697, ICL recommends the Commission reject Idaho Power's application and confirm that assumptions regarding future DR programs remain fixed between IRP filings.

The DR schedules also reflect the short-term, flexible nature of the DR programs. For example, the Irrigation Peak Rewards program allows for automatic annual renewal by participants, but also allows participants to terminate their involvement before and during the

[1] IPC-E-13-14, Settlement at 2 (emphasis added).

season. *Idaho Power Schedule 23* at 6. Schedule 23 also states that prior participation is no guarantee of future participation and may depend on equipment availability and program funding. *Id* at 1. ICL strongly supports a long-term commitment to a robust DR program. However, the current program is simply not a long-term contractual commitment eligible to be updated outside of the IRP cycle.

**B. The IRP Methodology does not require an extrinsic determination of a utility's resource deficiency date.**

The IRP Methodology intrinsically considers an individual QF's ability to deliver energy, when needed, for less than or equal to Company owned resources. As the Commission found:

> "the IRP Methodology recognizes the individual generation characteristics of each project by assessing when the QF is capable of delivering its resources against when the utility is most in need of such resources." *Order No. 32697* at 20.

This is distinct from the Surrogate Avoided Resource (SAR) Methodology, which does not intrinsically compare the QF's capability to deliver energy based on the needs of the utility. Because the SAR method computes avoided costs regardless of the utility's need, it is appropriate to apply an extrinsic determination of the utility's capacity position. This, in part, is why ICL does not object that when a utility files a new IRP "a case shall be initiated to determine the capacity deficiency to be utilized in the SAR Methodology." *Order No. 32697* at 23.

But the IRP Methodology bases avoided costs specifically on a QF's ability to deliver energy in relation to the utility's incremental displaceable resource. As explained further below, the IRP methodology to determine the avoided costs for energy and capacity will ensure customers pay no more, and often less, than Company-owned energy and capacity resources. The Commission should rely on this inherent ability of IRP Methodology to determine the ability of a QF to deliver energy and capacity in relation to the utility's need to serve loads.

The energy component of the IRP methodology is calculated by comparing the QF's hourly output to "the highest cost Company resource . . . serving load for that hour." *Application* at 6. If a QF accepts this energy component, then they commit to deliver energy in specific hours for less than or equal to the cost of Company-owned resources. Logically, if a QF is delivering energy instead of a Company resource, then the QF is providing capacity in that hour and should be compensated for providing that service. The capacity value is based on the assumed least-cost capacity resource, a simple cycle combustion turbine, decremented by the QF's peak hour capacity factor. *Application* at 7. Therefore, once a QF commits to deliver energy in a specific hour, customers pay an accurate avoided cost for both the energy and capacity provided in that hour. This accuracy comes not from a "default capacity position"; rather it comes from ensuring a QFs potential capacity payments are directly related to the ability, and commitment, to deliver energy in relation to the utility's need.

ICL recognizes the Commission determined, in general, that QFs should not receive capacity payments until a utility is capacity deficient. *Order No. 32697* at 21. However, the Commission is free to re-examine this issue and change positions. "The Commission is a regulatory agency that performs both judicial and legislative functions and it is not bound by *stare decisis.*" *Building Contractors Ass'n of Southwestern Idaho v. Idaho PUC*, 151 Idaho 10, 15,253 P.3d 684, 689 (2011). Order No. 32697 admits the IRP methodology "has seldom been utilized" and "has not had the benefits of adjustments over time to ensure that the calculation produces an accurate representation of the utility's avoided cost." *Order No. 32697* at 17. Further, the GNR-E-11-03 docket covered a wide range of issues and did not focus on the interplay of energy and capacity embodied in the IRP methodology. The present case brings this issue into sharper focus. This sharper focus reveals the Commission can avoid the need to make an extrinsic determination of a utility's resource position because the IRP Methodology inherently does so. By ensuring capacity payments are tied to a QF's ability to deliver energy at or below avoided

costs, the IRP Methodology inherently balances the demands of PURPA with protecting Idaho ratepayers. Using the biennial IRP process to update resource assumptions ensures this balance is timely.

**II. Alternatively, the annual update of inputs to the IRP methodology is the appropriate docket to address this issue.**

If the Commission desires to update resource assumptions outside of the IRP cycle, then ICL recommends using the already established IRP Methodology update scheduled for October 15, 2014. In the first update to IRP Methodology inputs, IPC-E-13-18, Idaho Power updated the load forecast, natural gas forecast, and contract termination, expirations, and additions. *Order No 32941* at 1. The Commission, parties, and the public will benefit from consolidating all of the load and resource balance issues into a single docket. However, ICL notes this will lead to a complex, time-consuming process with a short-term relevancy. Idaho Power's 2015 IRP is currently under development and will likely result in a revised capacity position due to a host of changes to loads, resources, fuel costs, environmental regulations, and other factors.

**III. Any update to Idaho Power's capacity position must consider all resource changes.**

If the Commission desires to update Idaho Power's resource assumptions now, then ICL recommends the Commission consider all assumptions based on the most recent available information. Here Idaho Power asks the Commission to assume 403 MW of capacity for DR programs, based on Order No. 33084. *Application* at 4.[2] The size of the DR programs in that order was based on Idaho Power's enrolled capacity as of April 24, 2014. *Application* at 4. At the close of the 2014 DR season, we now have a more accurate accounting of the maximum contribution to meeting peak demands by DR programs during any individual hour. According to Idaho Power, during the 2014 DR season, the maximum demand reduction achieved was 318

[2] Idaho Power's Application says "exceeding 400 MW" in reference to Order No 33084. That Order determined Idaho Power enrolled 403 MW of DR participants.

MW on July 14. *See Attachment 1 Idaho Power Response to ICL Production Request No 3.* ICL acknowledges that for the Irrigation program Idaho Power splits total participants into four separately dispatched groups. ICL supports this method of dispatch because it can provide Idaho Power system operators more flexibility to shape DR contributions. However, this evidence of actual operations demonstrates that in reality not all 400 MW of DR is intended to serve every possible peak hour.

Further, current DR program hours are constrained in that individual participants can be dispatched only 4 hours per day, 15 hours per week, and 60 hours per season. *Order No. 32923* at 4 – 5.[3] The 2013 IRP forecast future capacity deficits in 2020 to last for 62 hours and in 2021 for 68 hours. *See Attachment 2.* Idaho Power's Application does not explain whether the current DR programs can provide capacity over a sufficient number of hours to avoid these deficits. This is another example of why the Commission should adhere to Order No. 32697 and conclude that assumptions about resources remain fixed between IRP fillings.

Idaho Power's requested first deficiency date of July 2021 also relies on assumptions about other resources beyond DR. For example, the 2013 IRP assumed the Shoshone Falls upgrade would come online in 2019. Subsequently Idaho Power received an extension on this timing until 2022. *See Attachment 3, IPC response to ICL 6.* While the upgrade may contribute a small amount of capacity to the July peak, the important point is that the Company's assumptions about their future resource stack are changing constantly. Likewise, the 2013 IRP assumed the Company's energy efficiency programs would provide 18 MW of capacity in July of 2013. *IRP Appendix C* at 53. However, the actual contribution of efficiency programs was 6.5 MW in July 2013. *DSM Report at 143.*

[3] The Flexpeak program appears to omit the 15 hour per week limit, but maintains the 4 hour per day and 60 hour per season limits.

The changing capacity position also goes the other way too. Idaho Power has stated that the growth of net-metered systems, largely solar powered, shows "no signs of slowing in the foreseeable future." *See Idaho Power Annual Net Metering Report* at 4.[4] But in this application, Idaho Power chose to bring only a single resource assumption to the Commission. These examples show that Idaho Power's assumed capacity deficiency period is influenced by the accuracy of assumptions included in the IRP. Because of its system-wide, forward facing assessment, the IRP is the most appropriate place to develop and refine these assumptions about the ability of future resources to meet peak demands. Because the IRP process is the most appropriate forum to develop and refine resource assumptions, ICL urges the Commission to follow Order No. 32697 and continue to require that assumptions remain fixed between IRP cycles. In the alternative, the Commission must update all assumptions that affect Idaho Power's current resource position. To do otherwise only tells a portion of the story.

**Conclusion**

ICL recommends the Commission follow Order No. 32697 and defer any updates to resource assumptions to the currently underway 2015 IRP process. The Commission can review any contracts submitted in the interim.

Respectfully submitted this 6th day of October 2014,

Benjamin J Otto
Idaho Conservation League

[4] Filed in Docket IPC-E-12-27 on February 28, 2014.

## CERTIFICATE OF SERVICE

I hereby certify that on this 6th day of October 2014, I delivered true and correct copies of the foregoing COMMENTS OF THE IDAHO CONSERVATION LEAGUE to the following persons via the method of service noted:

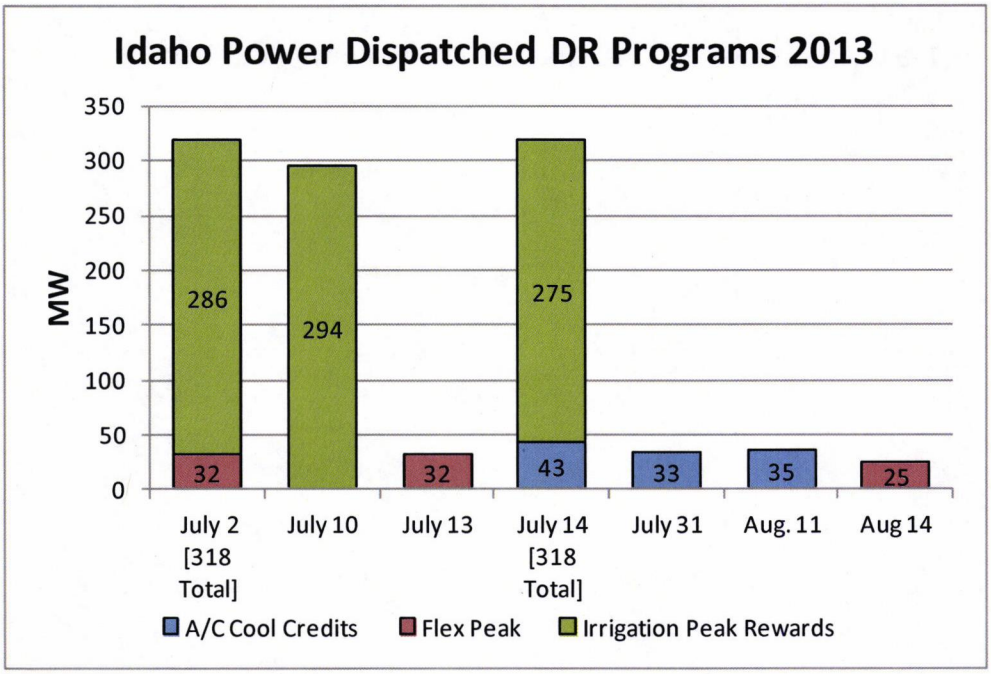
Hand delivery:
Jean Jewell - Commission Secretary (Original and seven copies provided)
Idaho Public Utilities Commission
427 W. Washington St.
Boise, ID 83702-5983

Electronic Mail:
*Idaho Power Company*
Donovan E. Walker
Regulatory Dockets
Randy C. Allphin
1221 West Idaho Street
P.O. Box 70
Boise, ID 83707
dwalker@idahopower.com
dockets@idahopower.com
rallphin@idahopower.com

*Intermountain Energy Partners*
c/o Dean J. Miller
McDEVITT & MILLER LLP
420 West Bannock Street
Boise, ID 83702
joe@mcdevitt-miller.com
leif@sitebasedenergy.com

Benjamin Otto

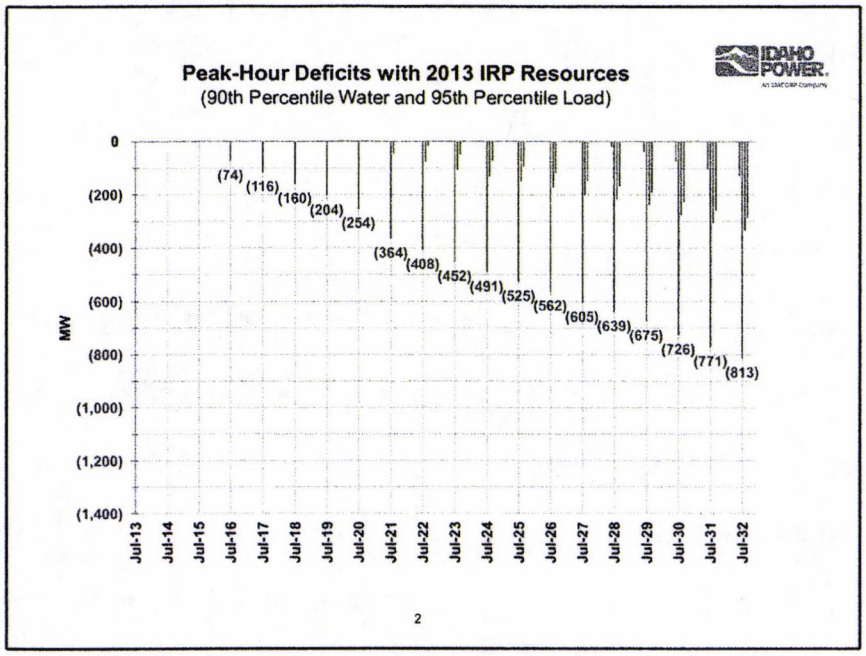
**Attachment 1**

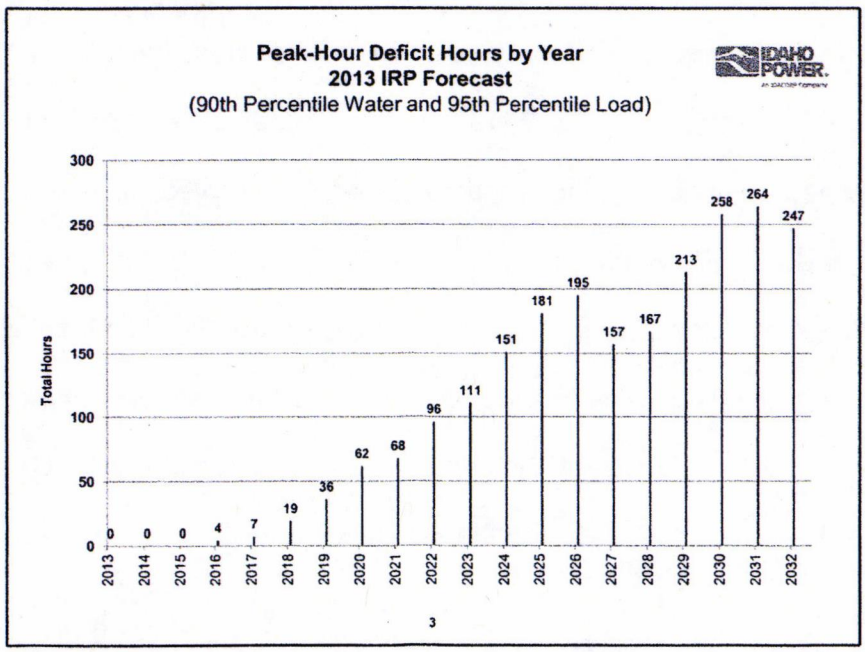



Source: Idaho Power Response No. 3, ICL First Production Request, IPC-E-14-22.

**Attachment 2**
**Document distributed by Idaho Power during the 2013 IRP development process**

12/5/2012



**Attachment 3**
**Idaho Power Response to ICL Production Request No 6 in IPC-E-14-22**

**REQUEST NO. 6:** Idaho Power's 2013 Integrated Resource Plan, on page 36, states the Company "is planning on the additional capacity from the Shoshone Falls upgrade being available in 2019". Please provide any documentation establishing that the Shoshone Falls upgrade will in fact be online in 2019 and provide the expected MW of additional capacity. For example, please provide copies of any permits or other approvals received, water rights secured, and economic analysis completed.

**RESPONSE TO REQUEST NO. 6:**

In Idaho Power's 2013 Integrated Resource Plan ("IRP"), the Shoshone Falls Upgrade Project ("Project") was treated as a committed resource coming on-line in 2019. While the economic analysis of the Project shows it being beneficial, the Project only provides an additional 2 MW of capacity in the month of July under the 90$^{th}$ percentile IRP water planning criterion. Therefore it does little to offset the need for other resources that are able to serve customers' summer peak needs.

On May 19, 2014, Idaho Power was granted an extension from the Federal Energy Regulatory Commission ("FERC") modifying the deadline to complete construction until July 1, 2022. After the 2013 IRP was filed at the end of June 2013, Idaho Power completed an updated cost-benefit analysis of the Project assuming a July 1, 2022, completion date. This analysis is provided in the confidential spreadsheet, *Shoshone Falls Upgrade Cost-Benefit Analysis*, provided on the confidential CD. Please note the natural gas (NG) price forecast cases used were the same as the cases considered for the 2013 IRP (p. 62 of the 2013 IRP). The confidential CD will be provided to those parties that have executed the Protective Agreement in this matter.